

Practices and Obstacles in Indiana County Highway Accounting

EMERSON ERB, Research Assistant
Department of Government
Indiana University

During the past year I have had the opportunity to visit a majority of the the county highway departments in the state of Indiana. I would like to pass along some of my observations and disclose what I feel are some of the obstacles to the advancement of accounting as a management tool for the county highway departments.

I will divide my remarks as follows :

1. Comments on accounting as a management tool.
2. Existing conditions in Indiana County Highway Departments.
3. Obstacles to the development of accounting.
4. Suggested actions to be taken by commissioners and supervisors.

Before going into the discussion let us clarify the term "accounting" which is the core of this talk. Accounting includes the assembly, analysis, and interpretation of facts primarily for management and, in this case, equally for the public. The scope of accounting is not confined just to bank deposits and checks drawn. Accounting embraces the phases of efficiency and cost, and of utilization and depreciation of properties. Therefore the present records prescribed by existing statutes in Indiana fall short of fulfilling the purpose of accounting records. Cost accounting records, to fill the existing gap in many county highway departments, should be designed to permit the user to draw reasonable conclusions. As answers are obtained cost records may be modified to seek other information leading to solutions of other problems. Although flexibility is desirable, I do not believe that each county should be allowed to be completely independent. Complete independence in the form of record keeping would not permit a mass attack on problems that uniform records could answer with sufficient, meaningful data from many counties.

You may realize that the desirability of maintaining accounting records is not determined by size or kind of activity. Accounting records are equally important to all and perhaps needed most by those with

the fewest records as a means of rapid discovery of improved methods, procedures, means, etc.

ACCOUNTING AS A MANAGEMENT TOOL

Dun and Bradstreet on numerous occasions has pointed the finger at deficient accounting records as the principal cause of business failure. Cost accounting can become the rudder of many a "ship." However, just like the rudder of a ship, there is need of a helmsman to select the course. Management tools such as cost accounting do not make decisions!

Is there a real difference between private and public enterprise? Both institutions must account for the money put in its trust, both deal with wealth, both should be able to account for the values (money, manpower, and material) they have purchased. Again this accountability is more than cash received and payment of bills for goods and services received. Did we get value for value in the exchange? Did we select the best alternative? We need a great deal of information to be more certain in our decisions. We will really never be sure and as is often quoted "to err is human" but many mistakes are avoidable with more adequate and accessible information. Thus cost accounting can mean the difference between success and failure for the highway administration.

Accounting records can bring forth yardsticks by which you can more realistically be compared to your neighbors and to past performance of your own county. Comparisons have been unjustifiably made in the past and they will continue to be made until better information is available.

Comparison will bring forth competition. Should public agencies fear what we as a nation defend—competition? If it is not good for government bodies then perhaps we should seriously question our basic belief in "free enterprise system."

Another key value of accounting records is to act as a "finder or discoverer." The downfall of so many people and firms is that they realize, only too late, what the trouble was. I have always felt that one of the principle shortcomings of anyone or any business was the failure to see the real problem until too late.

From my visits I have noted a wide range of theories in use, but unfortunately the fragmentary data have not made it possible to determine clearly the false theories—false in the sense that they are more expensive, thereby not tolerable.

County highway department accounting records should make available information not only for management but also facts for reporting

to the paying public. The finance problem of the highway program is important today, but what chance do you as counties have of getting more funds without understandable reporting on the disbursement of the \$50 million that Indiana county highway departments will spend this year? Private enterprise competes for the consumer's dollars and public institutions must convince the public that the services a public institution (roads as an example) provides are more important if they except a larger (if as much) dollar vote.

In summary, accounting can—

1. Bring forth the improvement which will mean success for your administration.
2. Provide accountability of the dollars invested.
3. Mean fewer errors in your decisions.
4. Provide a yardstick for more realistic comparisons.
5. Bring forth desirable competition.
6. Be a "finder" of the operational "thorns."
7. Help select more economical methods.
8. Be an aid in public relations.

Existing Conditions of Indiana County Highway Departments

Each county has developed its own theories or accepted those of others on administration and operating practices. At present we have all manner of theory. For example,

- 1) Centralization vs decentralization of (personnel and equipment) organization.
- 2) Extensive use of equipment vs limited use of equipment.
- 3) Betterments by department personnel vs betterments by independent contractors.
- 4) Extensive records and reports vs records deficient to meet present laws on expenditures and encumbrances.
- 5) Long range advance planning of improvements vs day-to-day existence.
- 6) Reliance upon engineering full time vs very limited use of engineering assistance.

I cannot see how these differences can all result in the greatest service to the public. Perhaps, I am wrong but I, like many others, cannot see the logic in each being correct.

Why the divergence of existing positions on the foregoing? 1. Part of the differences can be explained by *physical facilities*, i.e. county size, climate, traffic, buildings and equipment. These differences are real but sometimes overemphasized since counties are working with men, equipment and materials that, for the most part, are alike. Indiana counties

are more alike than unlike. 2. Basic differences in administrative *philosophy* (a) as to desirableness of public county competition, (b) highway department responsibilities and, (c) objectives of these departments. 3. The *deficiency of existing records and reports*. 4. The lack of *communication* between (a) department employees, (b) supervisors and employees, (c) supervisors and commissioners, (d) commissioners and the public and (e) the individual county highway departments with other counties and agencies also responsible in part for a portion of the entire road system. We have many examples of the deficiency in communications. Why? One reason is that county supervisors change so often that they do not even become acquainted with their neighbors. The supervisors and commissioners have a great responsibility to the public and must benefit from the experiences of others. Without frequent meetings of the administrators they seldom get beyond everyday conversation. Thus the county highway departments lose and the public loses. One of the great mistakes of many counties is the failure to prepare reports both on job costs and financial accounts. Such reports would make the many hours of detailed record keeping productive by permitting the administrators to analyze their past and to make comparisons.

In too few cases have I noted a monthly report of financial position which is readily available from existing legal records. After doing so much work to keep accounts in balance we often look at one page of the ledger at a time and do not get a clear overall picture, possible by a simple report of all the appropriations expenditures, encumbrances, and unencumbered balances. Here is a report deficiency that can be cured simply, but not so with some of the related records and report shortcomings.

We as individuals rely on our past experiences but many of you have had little or no experience with highways and their problems; you must gather a great deal of information from others. Again, coming back to the central topic of records, you unfortunately have had little road data assembled to assist you as a newcomer. This education costs your county money. Can your county continually pay the high educational cost of the trial and error method?

To defend yourself against unrealistic public pressure it takes facts; words are needed but usually fall like a house without a foundation if not supported.

The Obstacles to the Development of Accounting

First, let me make clear that these obstacles also deter the use of other management tools. The relative importance of each problem is unknown but each should be given some serious thought.

Obstacles:

- (1) An identification system for county equipment, roads, and bridges.
- (2) A clear cut organization with the establishment of responsibilities.
- (3) Provision for adequate facilities and tools both for field and office personnel.
- (4) Skill deficiencies of existing employees which must be solved by training or replacement.
- (5) Unnecessary department turnover for reasons other than incompetence and morale.
- (6) The inability of an administration is to be in any way in all places at all times.

By my remarks on suggestions I will both clarify the foregoing obstacles and indicate some changes that could reduce or eliminate the enumerated problems.

The heart of the foregoing problems is the improvement in personnel. Remember that regardless of your extent of mechanization that machines do not operate themselves.

To make your employment attractive to desired personnel and to stimulate the inactive abilities of existing employees your positions must have fewer disadvantages. Thought must be given (1) to providing more fringe benefits, (2) to retention of key employees when a shift in politics takes place, (3) to establishment of wages with regard to responsibility and, (4) to the creation of a clear, complete, personnel policy. The foregoing moves will not completely assure success but represent definite positive steps toward providing dedicated, capable highway department employees.

Identification systems must be established to guide and control work, and to make the creation of accounting information less difficult. The identification system would require that an inventory of equipment, roads and bridges be maintained which provides information on the assets for which the county commission is responsible.

A clear establishment of responsibility for various tasks, areas, equipment, etc., will make for control over activities. Not only are you able to determine the weak person in a crew but you may be able to determine the weakness that exists. Credit can be given when credit is due. Thus both from a positive and negative point of view the organization can assist the administration.

All too often we forget that equipment makes each man potentially more productive regardless of whether it is a road employee, administrator or clerk.

Many county highway garages are physically deficient resulting in many wasted man and machine hours. Some counties think that old equipment is economical to operate but forget that continual breakdowns leave little time for productive work. Skill deficiencies of existing employees must be solved. This problem is aggravated by an unusual turnover rate of employees. To replace untrained with trained personnel is out of the question at most existing county highway department pay scales. The training of employees is a continual drain on the time of the time of the limited number of trained supervisors.

Can the public continue to pay the cost of training a continual flow of men? Perhaps it is the mission of the county highway departments to prepare men for gainful employment in private enterprise. If education is a part of their job then the public should be informed of this by-product and accept in part the existing inefficiency.

As a result of the known political change that will take place in many Indiana counties in 1960, and the acceptance of the turnover that will result throughout in many of these counties some men have lost heart for their work. During this year prior to the change many supervisors find their departments falling apart and not only do we face losses in effectiveness while the new men learn but we lose during the "lame-duck" period preceding when the handwriting is on the wall.

Commissioners time and time again have commented that it took them at least one term to become effective, yet highway supervisors are often judged on the basis of one year.

The last obstacle is the inability of an administration to be in anyway in all places at all times. This today is not impossible. By having assistants with crews you can keep control over operations provided the assistants are well informed and directed. Another method of meeting this problem at a moderate expense is the installation of mobile radio units in key vehicles. The radio can become the supervisor's most valuable assistant in so far as he can have contact with nearly all of the personnel at anytime. No longer is the supervisor only a part-time supervisor, resulting from lost hours behind the wheel of his vehicle, but during every hour of the day he can direct his men and solve the many little problems. I do not wish to imply that a radio can take the place of an assistant as the radio does not have eyes or a mind of its own.

In closing let me bring these points to bear on my central problem of accounting. Accounting depends on the availability of basic information and the employment of capable personnel. Records do not keep themselves and only reflect what has been given to them by the per-

sonnel. The foregoing problems are reflected in the records currently maintained and the reflection will not improve without concurrent improvement in manpower.